

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA**

LEXINGTON INSURANCE COMPANY,

Plaintiff,

- against -

DAVID FORREST, T. BEAUCLERC ROGERS IV,
STANLEY MUNSON, MARTIN FINK, all individually,
and NEW BEGINNINGS ENTERPRISES LLC, a
California Limited Liability Company, and
TARLO LYONS, a partnership,

Defendants.

Civil Action No. 02-CV-4435
(Hon. Anita B. Brody)

JURY TRIAL DEMANDED

**ANSWER OF DEFENDANT TARLO LYONS TO THE
SECOND AMENDED AND SUPPLEMENTAL COMPLAINT**

Defendant Tarlo Lyons, by its attorneys Morgan, Lewis & Bockius LLP, for its answer to the Second Amended and Supplemental Complaint, responds as follows:

1. Defendant Tarlo Lyons admits the following Paragraphs: 6-8 and 16-17.
2. Defendant Tarlo Lyons does not respond to the following Paragraphs because they are not pleaded against Tarlo Lyons: 35, 55-59, 88-92.
3. Defendant Tarlo Lyons makes no response to the following Paragraphs because it asserts matter of law to which no answer is required: 14.
4. Defendant Tarlo Lyons lacks knowledge and information sufficient to form a belief as to the truth of the averments in the following Paragraphs and therefore denies them: 4, 5, 10, 15, 18, 20-30, 33(c)(i) and (ii), 33(e)(i) and (ii), 33(g), 95, 96.

5. Defendant Tarlo Lyons denies the following Paragraphs in their entirety: 1-3, 13, 19, 31, 32, 33(a), 33(b), 33(c)(iii)-(v), 33(d), 33(e)(iii), 33(f), 34, 37, 38, 40-46, 48-54, 60-72, 76-87, 93, 94.

6. Defendant Tarlo Lyons admits the first sentence of the following Paragraphs and otherwise denies the allegations of those paragraphs: 74 and 97.

7. Defendant Tarlo Lyons denies the first sentence of Paragraph 75 but otherwise admits the allegations.

8. With respect to Paragraph 9, Defendant Tarlo Lyons admits that Stanley Munson is a solicitor, formerly a salaried partner in Tarlo Lyons, an officer of at least one Flashpoint company, a shareholder in a company owning shares in a Flashpoint company and a United Kingdom lawyer for certain Flashpoint companies. Otherwise the allegations are denied.

9. With respect to Paragraph 11, Defendant Tarlo Lyons admits New Beginnings Enterprises LLC is connected with Flashpoint. Otherwise the allegations are denied.

10. With respect to Paragraph 12, Defendant Tarlo Lyons admits that it is a firm of solicitors of which Stanley Munson was a salaried partner and represented certain Flashpoint companies. Otherwise the allegations are denied.

11. With respect to Paragraph 36, Defendant Tarlo Lyons admits that Mr. Justice Steel made a ruling dated January 19, 2001 and respectfully refers this Court to that decision for a full and accurate statement of its terms. Otherwise the allegations are denied.

12. With respect to Paragraph 39, Defendant Tarlo Lyons respectfully refers the Court to the documents specified for a full and complete statement of their terms. Otherwise the allegations are denied.

13. With respect to Paragraph 47, Defendant Tarlo Lyons admits that occasional faxes were transmitted between defendants Fink and Munson regarding drawdowns from the Flashpoint Holding Accounts. Otherwise the allegations are denied.

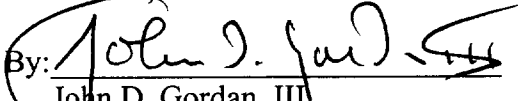
14. With respect to Paragraph 73, Defendant Tarlo Lyons denies that the quoted language appears in each separate Collateral Agreement with respect to each of the Hollywood Funding Nos. 4, 5 and 6 transactions. Otherwise the allegations are admitted.

AFFIRMATIVE DEFENSES

1. The Court lacks personal jurisdiction over the defendant.
2. The complaint fails to state a claim upon which relief can be granted.
3. The claims in the complaint are barred by the statute of limitations.
4. The claims in the complaint are barred by the law of release.
5. The claims in the complaint are barred by the doctrine of unclean hands.

Dated: New York, NY
January 24, 2005

MORGAN, LEWIS & BOCKIUS LLP

By: 
John D. Gordan, III

101 Park Avenue
New York, NY 10178
Attorneys for Defendant
Tarlo Lyons

CERTIFICATE OF SERVICE

The undersigned counsel for Tarlo Lyons herewith certifies that a true and correct copy of the within Answer Of Defendant Tarlo Lyons To The Second Amended And Supplemental Complaint was served on the following counsel by first class mail, postage prepaid, on this 24th day of January, 2005:

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Dated: January 24, 2005